

NEWS RELEASE

Office of Attorney General Terry Goddard



STATE OF ARIZONA
DEPARTMENT OF LAW
1275 W. Washington Street
Phoenix, Arizona 85007-2926

CONTACT:
Dianna Jennings
PRESS OFFICE
Phone: (602)-542-8019

FOR IMMEDIATE RELEASE

Attorney General announces plan to pay \$7.1 million to Arizona Household/Beneficial Borrowers

(Phoenix, AZ—August 5, 2003) Arizona Attorney General Terry Goddard announced today that eligible Arizona consumers who received home loans from Household Finance Corp., Household Realty Corp., or Beneficial Corp. will soon be able to claim settlement payments. Notices are being sent to approximately 12,000 Arizona Household and Beneficial borrowers this month to notify them of their eligibility to share in the State's \$7.1 million settlement with Household International. All Household or Beneficial consumers who obtained a mortgage or home equity loan at an Arizona retail lending branch office from January 1999 through September 2002 are eligible to participate and will be sent forms to claim payments, ranging from a minimum of \$50 to several thousand dollars. The forms will advise consumers of the minimum payment amount that they will receive if they participate in the settlement. The exact amount that they will receive may be larger depending upon how many consumers submit valid forms to the Settlement Administrator on or before October 14, 2003.

"While no payment can ever compensate for the trauma that many of these consumers experienced, this settlement does two important things. First, it establishes a model for sub-prime lenders in the future, and second, it provides a very large settlement to consumers injured by the corporation," Attorney General Goddard said.

The consumer payment program stems from the landmark settlement between Household International and the attorneys general and financial regulators of all 50 states and the District of Columbia. Household International, through its subsidiary, Household Finance Corporation, is one of the nation's largest sub-prime mortgage lenders. The settlement resolved an investigation by the states into allegations of unfair and deceptive mortgage lending practices by Household. The states alleged that Household had overcharged borrowers with fees and interest, and had misled borrowers about other loan terms. Arizona was one of the lead states in the case.

Under the settlement, which was finalized in December 2002, Household agreed to pay \$484 million dollars to the States to be distributed to eligible Household borrowers. The monetary settlement was the largest ever obtained by state attorneys general in a consumer protection case.

As part of the settlement, Household also agreed to implement a series of reforms in its lending operations.

Court injunctions in place nationwide restrict prepayment penalties on current and future home loans, prohibit loan "flipping," limit up-front points and origination fees, and improve loan disclosures.

The Arizona settlement distribution plan provides each eligible consumer with a \$50 minimum payment. The remainder of the settlement fund will be distributed to borrowers who were subjected to deceptive practices and harm involving the points and fees charged for their loans, as well as placement in loans that were higher than the value of their homes, and participation in the accelerated "E-Z Payment" plan. Settlement payments to consumers will vary depending upon the presence of these loan factors and the amount of the consumer's loan.

All Household and Beneficial customers who are eligible to receive a settlement payment should receive a mail notice from the Settlement Administrator in mid August. Consumers who wish to participate in the settlement will have to complete and return a claim and release form. The actual settlement payments will be paid directly to consumers by check before the end of the year.

Household or Beneficial loan consumers who have questions about the settlement payment procedures can contact the Settlement Administrator's toll free number at 1-888-780-2156 or visit the Settlement Administrator's website at www.household-beneficial-settlement.com. Consumers who believe that they should be included in the settlement, but have moved since their loans were closed should contact the Settlement Administrator. Assistant Attorney General Sandra Kane was the lead attorney on the Household case.